



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

BUILDING CORPORATION

Members

Jay W. Bond, Vice President
Jack Guiso, Secretary-Treasurer

July 28, 2023 ♦ 12:00 p.m.

A meeting of the South Coast Air Quality Management District Building Corporation will be held at 12:00 p.m. on Friday, July 28, 2023 through a hybrid format of in-person attendance in Conference Room CC8 at the South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, and remote attendance via videoconferencing and by telephone. Please follow the instructions below to join the meeting remotely.

Please refer to South Coast AQMD's website for information regarding the format of the meeting, updates if the meeting is changed to a full remote via webcast format, and details on how to participate:

<http://www.aqmd.gov/home/news-events/meeting-agendas-minutes>

ELECTRONIC PARTICIPATION INFORMATION (Instructions provided at bottom of the agenda)

Join Zoom Webinar Meeting - from PC or Laptop

<https://scaqmd.zoom.us/j/92422899039>

Zoom Webinar ID: 924 2289 9039 (applies to all)

Teleconference Dial In

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**Audience will be allowed to provide public comment in person
or through Zoom connection or telephone.**

PUBLIC COMMENT WILL STILL BE TAKEN.

AGENDA

Members of the public may address this body concerning any agenda item before or during consideration of that item (Gov't. Code Section 54954.3(a)). If you wish to speak, raise your hand on Zoom or press Star 9 if participating by telephone. All agendas for regular meetings are posted at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the regular meeting. Speakers may be limited to three (3) minutes total for all items on the agenda.

CALL TO ORDER

- Roll Call

DISCUSSION ITEMS – (Items 1 through 4):

- 1. Approve Minutes of the July 22, 2022 Meeting**

- 2. Financial Statement**
Report on Receipts and Disbursements as of June 30, 2023.

- 3. Acceptance of Audit Report for Fiscal Year Ending June 30, 2022**
Staff will present Corporation's financial statement received for FY 2021/22.

- 4. Recommendation to Engage The Pun Group, LLP for the Annual South Coast Air Quality Management District Building Corporation Financial Statement Audit, Fiscal Year Ending June 30, 2023**
Staff will provide its recommendation for engaging The Pun Group, LLP to perform the Corporation's annual audit.

OTHER MATTERS:

5. Other Business

Any member of the South Coast AQMD Building Corporation, or its staff, on their own initiative or in response to questions posed by the public, may ask a question for clarification, may make a brief announcement or report on their own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter, or may take action to direct staff to place a matter of business on a future agenda. (Gov't. Code Section 54954.2)

6. Public Comment Period

At the end of the regular meeting agenda, an opportunity is provided for the public to speak on any subject within the South Coast AQMD's Building Corporation authority that is not on the agenda. Speakers may be limited to three (3) minutes each.

ADJOURNMENT

Document Availability

All documents (i) constituting non-exempt public records, (ii) relating to an item on an agenda for a regular meeting, and (iii) having been distributed to at least a majority of the Committee after the agenda is posted, are available by contacting Genny Pearce at (909) 396-2121 or send the request to gpearce@aqmd.gov.

Americans with Disabilities Act and Language Accessibility

Disability and language-related accommodations can be requested to allow participation in the Building Corporation meeting. The agenda will be made available, upon request, in appropriate alternative formats to assist persons with a disability (Gov't Code Section 54954.2(a)). In addition, other documents may be requested in alternative formats and languages. Any disability or language-related accommodation must be requested as soon as practicable. Requests will be accommodated unless providing the accommodation would result in a fundamental alteration or undue burden to the District. Please contact Genny Pearce at (909) 396-2121 from 7:00 a.m. to 5:30 p.m., Tuesday through Friday, or send the request to gpearce@aqmd.gov.

INSTRUCTIONS FOR ELECTRONIC PARTICIPATION

Instructions for Participating in a Virtual Meeting as an Attendee

As an attendee, you will have the opportunity to virtually raise your hand and provide public comment.

Before joining the call, please silence your other communication devices such as your cell or desk phone. This will prevent any feedback or interruptions during the meeting.

Please note: During the meeting, all participants will be placed on mute by the host. You will not be able to mute or unmute your lines manually.

After each agenda, the Chair will announce public comment.

Speakers will be limited to a total of three (3) minutes for the Consent Calendar and Board Calendar, and three (3) minutes or **less** for other agenda items.

A countdown timer will be displayed on the screen for each public comment.

If interpretation is needed, more time will be allotted.

Once you raise your hand to provide public comment, your name will be added to the speaker list. Your name will be called when it is your turn to comment. The host will then unmute your line.

Directions for Video ZOOM on a DESKTOP/LAPTOP:

- If you would like to make a public comment, please click on the **“Raise Hand”** button on the bottom of the screen.
- This will signal to the host that you would like to provide a public comment and you will be added to the list.

Directions for Video ZOOM on a SMARTPHONE:

- If you would like to make a public comment, please click on the **“Raise Hand”** button on the bottom of the screen.
- This will signal to the host that you would like to provide a public comment and you will be added to the list.

Directions for TELEPHONE line only:

- If you would like to make public comment, please **dial *9** on your keypad to signal that you would like to comment.

Agenda Item #1

MINUTES OF SPECIAL MEETING OF THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT BUILDING CORPORATION

ZOOM Meeting
July 22, 2022 – 12:00 p.m.

Attendance: Present at South Coast AQMD Building Corporation Zoom meeting were Building Corporation Vice President Jay Bond, member Jack Guiso, Legal Counsel Nicholas Ghirelli, Sujata Jain, Susanna Leung, Sheri Hanizavareh and Genny Pearce.

The special meeting of the Building Corporation opened at 11:53 a.m.

Agenda Item #1 – Approve Minutes of the March 23, 2021 Meeting

No changes were requested.

Motion:

Jack Guiso moved approval of the March 23, 2021 meeting minutes; seconded by Jay Bond, unanimously approved.

Agenda Item #2 – Financial Statement

The Committee members reviewed the report and had no concerns or questions regarding the financial statement.

Motion:

Jack Guiso moved receive and file of the financial statement; seconded by Jay Bond, unanimously approved.

Agenda Item #3 – Acceptance of Audit Reports for Fiscal Year Ending June 30, 2021

Sujata Jain reported that the audit received unmodified opinion which is a clean opinion.

The Committee members accepted the audit reports and had no questions.

Motion:

Jay Bond moved receive and file of the audit report; seconded by Jay Bond, unanimously approved.

Agenda Item #4 – Recommendations to Engage BCA Watson Rice, LLP for the Annual South Coast AQMD Building Corporation Financial Statement Audit, Fiscal Year Ending June 30, 2022

Sujata Jain reported that this item is to retain BCA Watson Rice, LLP to perform the Corporation's financial statement for FY ending June 30, 2022. Staff is recommending BCA Watson Rice, LLP be engaged to conduct the audit for the Corporation at an amount of \$3,000.00.

Motion:

Jack Guiso moved approval to execute the financial audit engagement letter with BCA Watson Rice, LLP; seconded by Jay Bond, unanimously approved.

Agenda Item #5 – Other Business

Jay Bond asked about the discussion at the last meeting regarding the possibility of former South Coast AQMD Chief Financial Officer Rick Pearce joining the Building Corporation.

Per Ms. Jain, Mr. Pearce did not indicate an interest in moving forward with the Corporation. Former Financial Services Manager Donna Peterson also indicated reservations regarding the potential time commitment. Ms. Jain indicated that she will continue to reach out to South Coast AQMD retirees in an effort to fill this position.

Nick Ghirelli stated that per the bylaws for the corporation, the South Coast AQMD Board has to approve any appointee to the corporation board.

All members agreed to move forward with the addition of a third member. Ms. Jain agreed to move forward with preparing a Board letter.

Agenda Item #5 – Public Comment Period

Jay Bond asked if there were any public comments. No members of the public were present.

Jay Bond entertained a motion to adjourn. Jack Guiso agreed to make the motion; seconded by Jay Bond.

Meeting adjourned at 11:35 a.m.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BUILDING CORPORATION**

**NEW DEPOSITORY ACCOUNT - 106266000
Schedule of Receipts and Disbursements
As of June 30, 2023**

Cash Balance, 6/30/2022	\$174,434
Add: Interest earning	5,152
Less: Administrative expenses	(3,725)
Net Cash Balance, 6/30/2023	<u>\$175,861</u>
Total Liabilities	<u>-</u>
Net Equity, 6/30/2023	<u>\$175,861</u>



South Coast Air Quality Management District

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Agenda Item #3

July 28, 2023

South Coast Air Quality Management
District Building Corporation

Acceptance of Audit Report for Fiscal Year Ended June 30, 2022

The audit of the Building Corporation's financial statements for fiscal year ended June 30, 2022 has been completed by BCA Watson Rice, LLP. Enclosed for your Board's review is the audited financial statements and accompanying auditor's opinion.

We are pleased with the unmodified opinion we received on our financial statements. An unmodified opinion is the highest obtainable, assuring interested parties that our financial statements present fairly the financial position of the Building Corporation.

THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:

- Receive and file the Building Corporation audited financial statements.

Respectfully,

A handwritten signature in blue ink that reads "Susanna Leung". The signature is fluid and cursive, with the last name "Leung" being particularly prominent.

Susanna Leung
Controller

SJ:SL:ml

Attachment

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT BUILDING CORPORATION

Financial Statements
With Independent Auditor's Report

FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)



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Independent Auditor's Report

To the Board of Directors of
South Coast Air Quality Management District Building Corporation

Opinion

We have audited the accompanying financial statements of the South Coast Air Quality Management District Building Corporation (the Corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not

absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

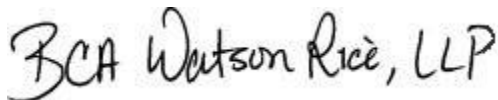
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Corporation's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Torrance, CA
October 14, 2022

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BUILDING CORPORATION**

Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 174,434	\$ 177,944
Total Current Assets	\$ 174,434	\$ 177,944
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ -	\$ 200
Total Current Liabilities	-	200
NET ASSETS		
Without donor restrictions	174,434	177,744
Total Liabilities and Net Assets	\$ 174,434	\$ 177,944

The accompanying notes are an integral part of these financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BUILDING CORPORATION**

Statement of Activities
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Revenues		
Interest income	\$ 35	\$ 11
Total Revenue	35	11
Expenses		
Administrative expenses	3,345	4,490
Total Expenses	3,345	4,490
Change in net assets without donor restrictions	(3,310)	(4,479)
Net assets without donor restrictions, beginning of year	177,744	182,223
Net assets without donor restrictions, end of year	\$ 174,434	\$ 177,744

The accompanying notes are an integral part of these financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BUILDING CORPORATION**

Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash Flows from Operating Activities		
Decrease in unrestricted net assets	\$ (3,510)	\$ (4,459)
Net cash used by operating activities	(3,510)	(4,459)
Cash Flows From Investing Activities		
Net cash provided by investing activities	-	-
Cash Flows From Financing Activities		
Net cash used by financing activities	-	-
Net decrease in cash and cash equivalents	(3,510)	(4,459)
Cash and cash equivalents at beginning of year	177,944	182,403
Cash and cash equivalents at end of year	\$ 174,434	\$ 177,944

The accompanying notes are an integral part of these financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BUILDING CORPORATION**

Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The South Coast Air Quality Management District Building Corporation (Corporation) was incorporated as a nonprofit corporation under the laws of the State of California on September 21, 1978. The Corporation was formed for the purpose of financing the acquisition and improvement of a building complex/headquarters of the South Coast Air Quality Management District (South Coast AQMD). The Corporation has financed, improved, and/or constructed a past building complex/headquarters in El Monte, California and the current building complex/headquarters in Diamond Bar, California.

Although the Corporation is a legally separate entity from the South Coast AQMD, its financial operations are closely related and the South Coast AQMD Governing Board approves the appointment of the Corporation's Board of Directors. The Corporation has had significant transactions with the South Coast AQMD for the construction and improvement of the South Coast AQMD's headquarters facility. Therefore, in accordance with GAAP, the Corporation is included within the South Coast AQMD financial reporting entity as a blended component unit. Separate financial statements for the South Coast AQMD may be obtained from South Coast AQMD's Finance Office located at 21865 Copley Drive, Diamond Bar, California 91765.

The Corporation and the South Coast AQMD entered into an Installment Purchase Agreement relating to Headquarters Facilities whereby the Corporation agreed to sell the Project to the South Coast AQMD and the South Coast AQMD agreed to purchase the Project from the Corporation.

The Corporation issued the Installment Sale Revenue Bonds 1988 Series A on August 1, 1988 and the 1989 Series B on September 1, 1989 to provide the funds to purchase land and to design and build the Diamond Bar Headquarters. On December 1, 1992, the Corporation issued the 1992 Series to refund portions of the Series A and the Series B bonds. On June 1, 2002, Installment Sale Revenue Bonds Refunding Series 2002 were issued to refund Series 1992 bonds. As of June 30, 2013, the Series 2002 Installment Sale Bonds were legally defeased.

Basis of Presentation

The financial statements of the Corporation have been prepared on the accrual basis in accordance with the accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provision of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BUILDING CORPORATION**

Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. The Corporation's board may designate assets without restrictions for specific operational purposes from time to time. As of June 30, 2022, the Corporation has net assets without donor restrictions of \$174,434.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. During fiscal year ended June 30, 2022, the Corporation did not have any net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial reporting purposes, cash and cash equivalents include cash and investments that have maturities of less than three months.

Investments

Investments are carried at fair market value in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification ASU-820*.

Revenue

The Corporation's revenues are recognized on an accrual basis.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BUILDING CORPORATION**

Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2014-9, Revenue from Contracts with Customers (Topic 606)* - which addresses the comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Corporation adopted this new revenue recognition standard along with its related amendments on July 1, 2021 with retrospective application. The adoption of this new standard has no impact on the Corporation's June 30, 2022 financial statements.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, issued by the FASB in September 2020. Under this new guidance, contributed nonfinancial assets must be separately presented on the statement of activities apart from contributions of cash. Additionally, other qualitative disclosures are required regarding the monetization and utilization of contributed nonfinancial assets. This new standard has no impact on the Corporation's June 30, 2022 financial statements

The Corporation is currently evaluating the impact on its financial statements the pending adoption of the new standard below:

ASU 2016-02, *Leases (Topic 842)*, issued by the FASB in February 2016. This supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. This new standard is effective for the Corporation's June 30, 2023 financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BUILDING CORPORATION**

Notes to Financial Statements
June 30, 2022

NOTE 2 – LIQUIDITY MANAGEMENT

The Corporation's financial assets which consist of cash and cash equivalents of \$174,434 are available within one year of the balance sheet to pay for general expenditures. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Corporation invests excess cash in money market and certificate of deposits.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Corporation deposits its temporary cash, money market accounts and certificate of deposits with creditworthy, high-quality financial institutions, totaling within the federal depository insurance limit of \$250,000 per depository account. Hence, there are no losses expected from these deposits.

NOTE 4 – COMPARATIVE FINANCIAL DATA

The amounts shown for 2021 in the accompanying financial statements are included only to provide a basis for comparison with 2022 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

NOTE 5 – SUBSEQUENT EVENTS

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 14, 2022, the date the financial statements were issued, and concluded no events have occurred that require disclosure or adjustments to the financial statements.



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
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Agenda Item #4

July 28, 2023

South Coast Air Quality Management
District Building Corporation

**Recommendation to Engage The Pun Group,LLP
for the Annual South Coast AQMD Building Corporation
Financial Statement Audit, Fiscal Year Ended June 30, 2023**

Staff recommends that the Corporation's Vice President be authorized to execute the attached engagement letter with The Pun Group, LLP for the FY 2022-23 annual financial statement audit and related accounting work. The letter states that the services will be provided for a fixed fee of \$2,500. This work should be facilitated by virtue of The Pun Group, LLP's selection to provide similar services for the South Coast AQMD.

THEREFORE, IT IS RECOMMENDED THAT YOUR BOARD:

- Authorize the Vice President to execute The Pun Group, LLP financial audit engagement letter.

Respectfully,


Susanna Leung
Controller

SJ:SL:ml



July 21, 2023

www.pungroup.cpa



**South Coast Air Quality Management District
Building Corporation**

21865 Copley Drive,
Diamond Bar, CA 91765-4178

RE: Engagement of The Pun Group, LLP (the “Firm”)

We are pleased to confirm our understanding of the services we are to provide the South Coast Air Quality Management District Building Corporation (“Corporation”) for the year ending June 30, 2023.

Audit Scope and Objectives

We will audit the financial statements of the Building Corporation which comprise the Statement of Financial Position as of June 30, 2023 and the related statements of activities and cash flows for the year then ended, and the disclosures (collectively, the “financial statements”).

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor’s report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (“GAAS”) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditors’ Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Corporation or to acts by management or employees acting on behalf of the Corporation.

South Coast Air Quality Management District

Building Corporation

Engagement Letter

July 21, 2023

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Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will obtain an understanding of the Corporation and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

According to GAAS, significant risks include management override of controls, and GAAS presumes that revenue recognition is a significant risk. Accordingly, we have considered these as significant risks.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

Our audit of the financial statements does not relieve you of your responsibilities.

Other Services

We will prepare the Corporation's federal and state information returns for the year ended June 30, 2023 based on information provided by you. We will also prepare the financial statements of the Corporation in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the information return, but management must make all decisions with regard to those matters.

You agree to assume all management responsibilities for the tax services, financial statement preparation services, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

South Coast Air Quality Management District

Building Corporation

Engagement Letter

July 21, 2023

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Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. You are also responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the Organization from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws and regulations.^{bb} You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

Assistance by Your Personnel

We understand that your employees will prepare all cash, or other confirmations we request and will locate any documents selected by us for testing. We will ask that your personnel, to the extent possible, prepare required schedules and analyses, and make selected invoices and other required documents available to our staff. This assistance by your personnel will serve to facilitate the progress of our work and minimize our time requirements.

Independence

Professional standards require that a firm and its members maintain independence throughout the duration of the professional relationship with a client. In order to preserve the integrity of our relationship, no offer of employment shall be discussed with any the Firm's professionals assigned to the audit, during the one year period prior to the commencement of the year end audit. Should such an offer of employment be made, or employment commences during the indicated time period, we will consider this an indication that our independence has been compromised. As such, we may be required to recall our auditors' report due to our lack of independence. In the event additional work is required to satisfy independence requirements, such work will be billed at our standard hourly rates.

Access to Working Papers

The audit documentation for this engagement is the property of the Firm and constitutes confidential information. The audit documentation for this engagement will be retained for a minimum of seven years after the report release date.

The Firm is required to undergo a “peer review” every three years. During the course of a Peer Review engagement, selected working papers and financial reports, on a sample basis, will be inspected by an outside party on a confidential basis. Consequently, the accounting and/or auditing work we performed for you may be selected. Your signing this letter represents your acknowledgement and permission to allow such access should your engagement be selected for review. As a result of our prior or future services to you, we may be required or requested to provide information or documents to you or a third-party in connection with a legal or administrative proceeding (including a grand jury investigation) in which we are not a party.

If this occurs, our efforts in complying with such request or demands will be deemed a part of this engagement and we shall be entitled to compensation for our time and reimbursement for our reasonable out-of-pocket expenditures (including legal fees) in complying with such request or demand. This is not intended, however, to relieve us of our duty to observe the confidentiality requirements of our profession.

Report Distribution and Other

We will provide copies of our reports to the Corporation; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Timing

Kenneth H. Pun is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately August 1, 2023 and to issue our reports no later than October 13, 2023.

Fees

Our fee for these services will be \$2,500 for the year ending June 30, 2023. Our fees are based on certain assumptions, including the required assistance described above. To the extent that certain circumstances included but not limited to those listed in Appendix A, arise during the engagement, our fee estimate may be significantly affected and additional fees may be necessary. Additional services provided beyond the described scope of services will be billed separately.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

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Termination

We acknowledge the Corporation's right to terminate our services at any time, and the Corporation acknowledge our right to resign at any time (including instances where in our judgment, our independence has been impaired or we can no longer rely on the integrity of management), subject in either case to our right to payment for all direct and indirect charges incurred through the date of termination or resignation.

Dispute Resolution Procedure, Jurisdiction and Venue for All Disputes, and Governing Law

We appreciate the opportunity to serve as the Corporation's auditor and anticipate a productive, harmonious relationship. If the Corporation becomes dissatisfied for any reason with the services we have performed or the fees charged, we encourage the Corporation to bring that to our attention immediately. Most such problems should be remedied by communication and discussion. However, a dispute could arise between us, regarding the construction or application of this agreement and/or the performance of any services under this agreement, which cannot be resolved by discussion.

The Corporation and this Firm each agree to submit to the jurisdiction of any state or federal court in Los Angeles County, California, in any action or proceeding arising out of or relating to the enforcement of the arbitration provisions of this agreement, or for any other purpose. The Corporation and this Firm agree not to bring any action or proceeding of any kind in any other court. The Corporation and this Firm waive any defense of inconvenient forum to the maintenance of any action or proceeding in Los Angeles County, California.

Reporting

We will issue written reports upon completion of our audit of the Corporation's financial statements. Our reports will be addressed to the Corporation's Board of Directors. We cannot provide assurance that unmodified opinion will be expressed. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

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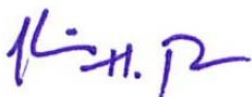
Agreement

It is hereby understood and agreed that this engagement is being undertaken solely for the benefit of the Corporation and that no other person or entity shall be authorized to enforce the terms of this engagement.

If you agree with the terms of our engagement as described in this letter, please sign this letter and return it to us.

We appreciate the opportunity to be of service to the South Coast Air Quality Management District Building Corporation and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,
The Pun Group, LLP



Kenneth H. Pun, CPA, CGMA
Managing Partner

RESPONSE:

This letter correctly sets forth the understanding of the South Coast Air Quality Management District Building Corporation.

Jay Bond, Vice President

Date

APPENDIX A

South Coast Air Quality Management District Building Corporation Circumstances Affecting Timing and Fee Estimate

Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary. Such circumstances include but are not limited to the following:

1. Changes to the timing of the engagement at your request. Changes to the timing of the engagement usually require reassignment of personnel used by The Pun Group LLP (the "Firm") in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, the Firm may incur significant unanticipated costs.
2. All requested schedules are not (a) provided by the accounting personnel on the date requested, (b) completed in a format acceptable to the Firm (c) mathematically correct, or (d) in agreement with the appropriate underlying records (e.g., general ledger accounts). The Firm will provide the accounting personnel with a separate listing of required schedules and deadlines.
3. Weaknesses in the internal control structure.
4. Significant new issues or unforeseen circumstances as follows:
 - a. New accounting issues that require an unusual amount of time to resolve.
 - b. Changes or transactions that occur prior to the issuance of our report.
 - c. Changes in the Entity's accounting personnel, their responsibilities, or their availability.
 - d. Changes in auditing requirements set by regulators.
5. Significant delays in the accounting personnel's assistance in the engagement or delays by them in reconciling variances as requested by the Firm. All invoices, contracts and other documents which we will identify for the Entity are not located by the accounting personnel or made ready for our easy access.
6. A significant level of proposed audit adjustments is identified during our audit.
7. Changes in audit scope caused by events that are beyond our control.
8. Untimely payment of our invoices as they are rendered.